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Order 2002-3-30

Served: April 3, 2002



**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Issued by the Department of Transportation
on the 29th day of March, 2002

Essential Air Service at:

SEWARD, ALASKA

Under 49 U.S.C. 41731 *et seq.*

Docket OST 97-2942-9

**ORDER PROHIBITING TERMINATION OF SERVICE AND
REQUESTING PROPOSALS**

Summary

By this order the Department is (a) prohibiting F.S. Air Service, Inc., from terminating its subsidized service at Seward, Alaska; (b) requiring the carrier to maintain service between the community and Anchorage for an initial 30-day period following the end of the notice period; and (c) requesting proposals from carriers interested in providing replacement service at the community. (See Appendix A for an area map.)

Background

Seward is guaranteed to receive at least a minimum level of air service under the Essential Air Service (EAS) program. By Order 99-12-14, issued December 16, 1999, the Department selected F.S. Air Service to provide subsidized scheduled air service at Seward, Alaska. Subsidy was set at an annual rate of \$82,878 for the period January 1, 2000, through December 31, 2001, for ten nonstop round trips each week between Seward and Anchorage during the peak season, and three nonstop round trips each week during the off-peak season, with 9-passenger Piper Navajo aircraft.

F.S. Air Service's two-year contract expired on December 31, 2001. Prior to the end of the rate term, we contacted the carrier to determine if it wanted to continue providing service at the community. Although our normal course of action would have been to negotiate a new two-year subsidy rate at that time, the carrier was initially uncertain as to whether it desired to continue such service. However, on January 22, 2002, it filed a 90-day notice of its intent to terminate service at Seward, effective April 23, 2002. The

carrier stated that the route has become less and less profitable over the years, and escalating insurance premiums, fuel costs, employee packages and lack of passenger traffic were factors in its decision to discontinue service. F.S. Air Service is the only carrier serving the Seward community.

Since the termination of service by F.S. Air service at Seward would leave that community without any air service, we must require the carrier to continue its existing service while we initiate a formal carrier selection case by requesting replacement service proposals. We will continue to require the carrier to serve Seward until we conclude the proceeding.

Essential Air Service Determination for Seward

Essential air service at Seward is defined as at least six round trips each week during the peak season, and two round trips during the off-peak season, to Anchorage with small aircraft (10 seats or less) and with no more than two intermediate stops.¹

Request for Proposals

We request that any carriers interested in providing essential air service at Seward file their proposals within 20 days of the service date of this order. We ask that carriers submit proposals for a minimum of six round trips per week during the peak season, and two round trips during the off-peak season, to Anchorage, with small aircraft. As always, we will formally solicit the community's views on any service options we receive before making a long-term carrier selection decision. In order to assist carriers in making their traffic and revenue forecasts, we have included historical traffic data in Appendix B.

Procedures For Filing Proposals

For interested air carriers that are not familiar with our procedures and recommended form for supplying the necessary information, we have prepared two explanatory documents that we will make available upon request. The first describes the process for handling carrier replacement cases under 49 U.S.C. 41734(f) and discusses in detail the process of seeking proposals, conducting financial and operational audits of the applicant carriers and selecting a replacement carrier. The second is an evidence request containing an explanatory statement, and a copy of section 14 CFR 204.4 of the Department's regulations which deals with the information required of all applicants for authority to provide basic essential air service, and provides schedules giving our recommended form for submitting data required for determining the financial and operational ability of applicants to provide dependable air service.²

¹ Department of Transportation Order 85-5-39.

² Copies of these documents can be obtained from: EAS & Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6401, Department of Transportation, 400 7th Street, S.W., Washington, DC 20590. Telephone requests for these documents are accepted at (202) 366-1053.

Community and State Comments

The community and the State are welcome to submit comments on the proposals at any time.³ Early in the proceeding, comments on the perceived strengths and weaknesses of the proposals would be particularly helpful to the Department. The civic parties may also express a preference for a particular carrier or proposal option at that time, if they choose. In any event, after we conclude rate conferences with all applicants, we will provide a summary of the conference results to the civic parties and ask them to file their final comments.⁴

Other Carrier Requirements

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces, and nondiscrimination.⁵ Consequently, all carriers receiving Federal subsidy to support essential air service must certify that they are in compliance with Department regulations regarding drug-free workplaces and nondiscrimination, and those carriers whose subsidies exceed \$100,000 over the life of the rate term must also certify that they are in compliance with regulations governing lobbying activities. All carriers that plan to submit proposals involving subsidy should submit the required certifications along with their proposals.⁶ Interested carriers requiring more detailed information regarding these requirements as well as copies of the certifications should contact the Office of Aviation Analysis at (202) 366-1053. The Department is prohibited from paying subsidy to carriers that do not submit these documents.

³ Civic parties should file an original and five copies of their comments in Docket OST-1997-2942. This filing should be addressed to: Docket Operations and Media Management Division, SVC-124, Office of the Secretary, U.S. Department of Transportation, Room PL 401, 400 Seventh Street, S.W., Washington D.C. 20590.

⁴ In cases where a carrier proposes to provide essential air service without subsidy and we determine that service can be reliably provided without such compensation, we do not normally hold rate conferences. Instead, we rely on the carrier's subsidy-free service.

⁵ The regulations applicable to each of these areas are (1) 49 CFR Part 20, New Restrictions on Lobbying, Implementing title 31, United States Code, section 1352, entitled "Limitation on use of appropriated funds to influence certain Federal contracting and financial transactions"; (2) 49 CFR Part 29, Subpart F, Drug-Free Workplace Requirements (Grants) implementing the Drug-Free Workplace Act of 1988; (3) 49 CFR Part 21, Nondiscrimination in Federally-Assisted Programs for the Department of Transportation--Effectuation of Title VI of the Civil Rights Act of 1964; 49 CFR Part 27, Nondiscrimination on the basis for Handicap in Programs and Activities Receiving or Benefiting from Federal Financial Assistance; and 14 CFR Part 382, Nondiscrimination on the Basis of Handicap in Air Travel.

⁶ Blank certification forms can be found on the Office of Aviation Analysis official website at <http://ostpxweb.dot.gov/aviation/rural/ruralair.htm>, or by contacting John McCamant at 202-366-1060.

Requirement to Maintain Service

F.S. Air Service is the only carrier providing scheduled air service at Seward. The community is guaranteed to receive service under the EAS program, and 49 U.S.C. 41734 requires that we prohibit F.S. Air Service from terminating service for an initial 30-day period beyond the end of its 90-day notice period, through May 23, 2002.⁷ We will require F.S. Air Service to continue to provide ten nonstop round trips per week during the peak season and three nonstop round trips per week during the off-peak season to Anchorage while we process the carrier replacement case.

This order is issued under authority delegated in 49 CFR 1.56a(f).

ACCORDINGLY,

1. We request that carriers interested in providing essential air service at Seward, Alaska, submit their proposals, with or without requests for subsidy, within 20 days of the service date of this order. An original and five copies of the proposal should be sent to the EAS and Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6401, Department of Transportation, 400 7th Street, S.W., Washington, D.C. 20590, with the title: "Proposal to Provide Essential Air Service at Seward, Alaska, Docket OST-1997-2942;⁸
2. The Department prohibits F.S. Air Service, Inc., from terminating service at Seward, Alaska, at the end of its 90-day notice period, and requires it to maintain at least ten nonstop round trips per week during the peak season and three nonstop round trips per week during the off-peak season to Anchorage, Alaska, through April 24, 2002, or until a carrier capable of providing reliable essential air service actually begins service, whichever comes first;
3. This docket will remain open until further Department order; and

⁷ In accordance with 49 U.S.C. 41734(c), we will extend F.S. Air Service's service obligation for successive 30-day periods as necessary until replacement service actually begins.

⁸ After serving a copy of its proposal on the civic officials of Seward and each of the other applicants, each applicant must then file a certification of service with the Department's Docket Operations and Media Management Division, SVC-124. Questions regarding filings in response to this order may be directed to John McCamant at (202) 366-1060.

4. We will serve a copy of this order on the Mayor of Seward, the Alaska Department of Transportation and Public Facilities, F.S. Air Service, and the carriers listed in Appendix C.

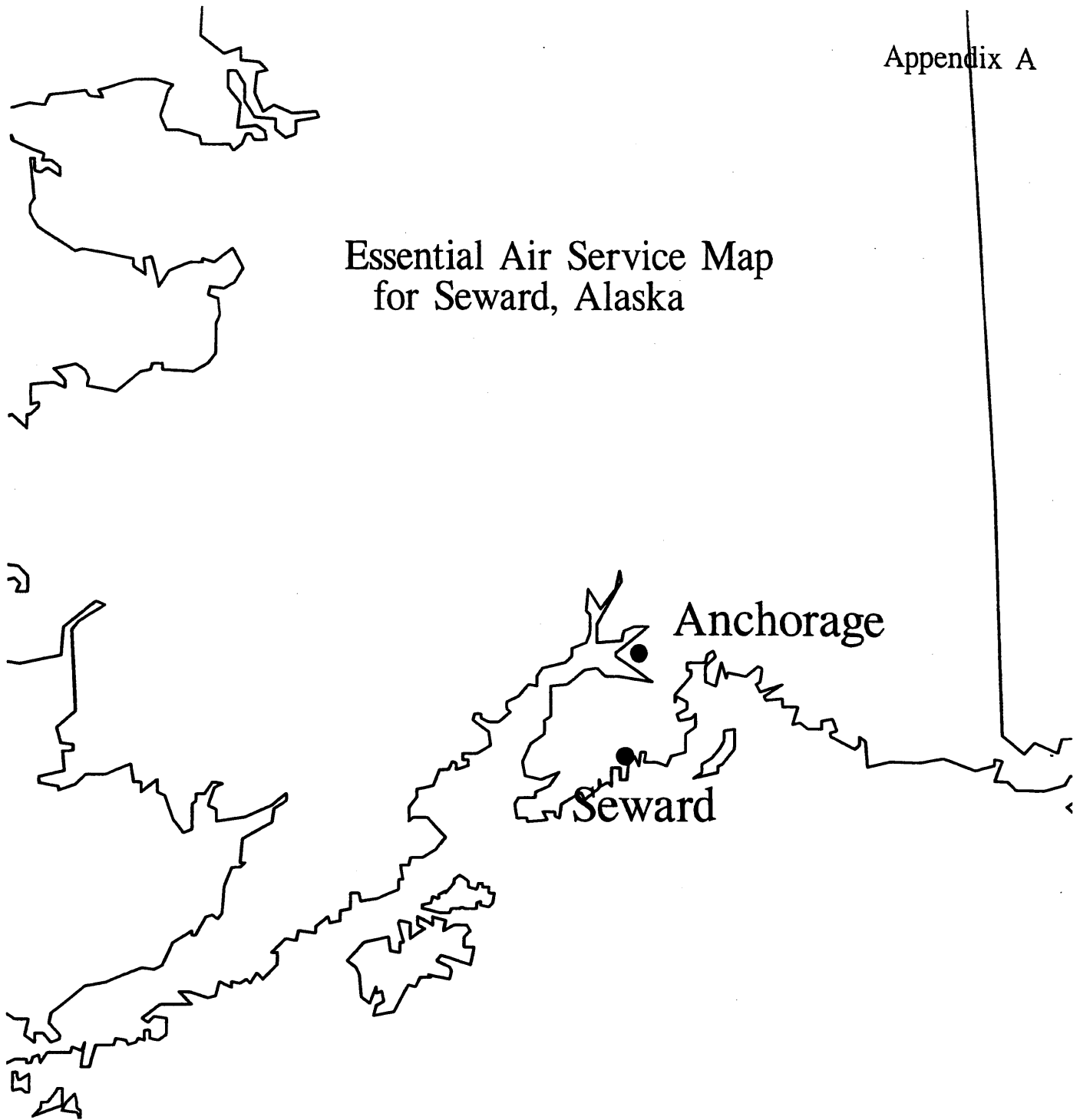
By:

READ C. VAN DE WATER
Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this document is available on the World Wide Web at
<http://dms.dot.gov>*

Essential Air Service Map
for Seward, Alaska



SEWARD HISTORICAL TRAFFIC

		Passengers		Cargo (lbs.)	
		<u>SWD-ANC</u>	<u>ANC-SWD</u>	<u>SWD-ANC</u>	<u>ANC-SWD</u>
1998	3Q	316	321	459	5,044
	4Q	45	32	274	2,840
1999	1Q	23	21	76	1,745
	2Q	227	240	384	2,000
	3Q	288	270	1,314	4,144
	4Q	<u>34</u>	<u>28</u>	<u>385</u>	<u>2</u>
		572	559	2,159	7,891
2000	1Q	69	66	2,035	6,161
	2Q	176	167	3,551	68
	3Q	215	231	1,764	366
	4Q	<u>35</u>	<u>25</u>	<u>82</u>	<u>100</u>
		495	489	7,432	6,695
2001	1Q	18	13	0	390
	2Q	117	108	0	229
	3Q	188	183	0	674
	4Q	<u>13</u>	<u>15</u>	<u>0</u>	<u>105</u>
		336	319	0	1,398

SERVICE LIST FOR THE STATE OF ALASKA

Aaron Air	Hageland Aviation Services, Inc.	Scenic Mountain Air, Inc.
Aero Tech Flight Service, Inc.	Haines Airways, Inc.	Seaside Air Service
Air Excursions	Heli-Lift, Inc.	Security Aviation, Inc.
Air Lift Alaska	Homer Air	Seward Flying Service, Inc.
Air Madura	Hudson Air Service, Inc.	Silver Bay Logging, Inc.
Alaska Airlines, Inc.	Iliamna Air Taxi, Inc.	Skagway Air Service, Inc.
Alaska Bush Carrier, Inc.	Island Air Service	Soloy Helicopters, Inc.
Alaska Central Express, Inc.	Island Wings Air Service	Southcentral Air, Inc.
Alaska Coastal Airlines, Inc.	Jim Air, Inc.	Specialized Air Service
Alaska Fly'N Fish Charters	K2 Aviation	Spemak Airways
Alaska Flyers	Kachemak Air Service, Inc.	Sunrise Aviation, Inc.
Alaska Helicopters, Inc.	Kachemak Bay Flying Service, Inc.	Tamarack Air, Ltd.
Alaska Island Air, Inc.	Katmai Air	Tanana Air Service
Alaska Seair Adventures	Kenai Air Alaska, Inc.	Taquan Air Service, Inc.
Alaska West Air, Inc.	Kenai Fjords Outfitters, Inc.	Tatonduk Outfitters, Inc.
Aleutian Air, Ltd.	Kenair	Temsco Helicopters, Inc.
Aleutian Specialty Aviation	Ketchikan Air Service, Inc.	Totem Air
Allegheny Commuter airlines, Inc.	Ketchum Air Service, Inc.	Trans-Alaska Helicopters, Inc.
Amerijet International, Inc.	Kodiak Air Service	Trans-Porter Alaska, Inc.
Arctic Air Alaska, Inc.	Koyukon Air, Inc.	Tundra Copters, Inc.
Arctic Circle Air Service, Inc.	Kupreanof Flying Service	Umiat Enterprises, Inc.
Baker Aviation, Inc.	Kusko Aviation, Inc.	Uyak Air Service
Bellair, inc.	L.A.B. Flying Service, Inc.	Vemair
Beluga Lake Float Plane Service	Larry's Flying Service, Inc.	Warbelow's Air Ventures, Inc.
Bering Air, Inc.	Loken Aviation, Inc.	Ward Air
Bran-Air & Branham Adventures	Lone Star Airlines, Inc.	Wings of Alaska
Camai Air	Lone Wolf Aero Services, Inc.	Woods Air Service, Inc.
Canning Air Service	Maritime Helicopters, Inc.	Wrangell Mountain Air, Inc.
Cape Smythe Air Service, Inc.	MarkAir, Inc.	Wright Air Service, Inc.
Cassaron Turbo Helicopters	Metroflight, Inc.	Yukon Helicopters
Chugiak Aviation	Midway Airlines, Inc.	Yutana Airlines, Inc.
Clearwater Air, Inc.	Midwest Express Airlines, Inc.	Yute Air Alaska, Inc.
Coastal Helicopters, Inc.	Misty Fjords Air & Outfitting	
Cordova Air Service, Inc.	Mountain Aviation	
CPA Air Service	Mountain Helicopters	
Customized Alaskan Adventures	Nash West Aviation, Ltd.	Alaska Juneau Aeronautics, Inc.
Delta Connection	Natron Air	Ken Bannon
Denali air	Nordic Air	E. B. Freeman
Egli Air Haul, Inc.	North Star Air Cargo, Inc.	A. Edward Jenner
Ellis Air Taxi, Inc.	Northern Air Cargo, Inc.	John McFarlane
Ellison Air, Inc.	Northwest Airlink	Kevin Thomas
ERA Aviation, Inc.	Olson Air Service, Inc.	Pat Dempsey
F.S. Air Service, Inc.	Pacific Wing, Inc.	P. Richard Steinman III
Fishing and Flying	Peninsula Airways, Inc.	
Fiskehawk Aero Service	Precision Valley Aviation, Inc.	
Forty (40)-Mile Air, Ltd.	Promech, Inc.	
Frontier Flying Service, Inc.	Ram Air, Inc.	
Golden Plover Air	Ray Atkins Registered Guide	
Grant Aviation, Inc.	Rediske Air, Inc.	
Great Northern Air Guides	Reeve Aleutian Airways, Inc.	
Gulf Air Taxi, Inc.	Regal Air	
Gulf Aviation, Inc.	Reid Air	
Gulkana Air Service, Inc.	Rust's Flying Service, Inc.	
	Ryan Air Service, Inc.	